

Proposal to Provide Subsidized Essential Air Service

For the Community of

Ekwok, Alaska

DOT-OST-2015-0175

June 22, 2021

GRANT AVIATION

WHO WE ARE

Grant Aviation is a successful, mature airline with deep roots in Western Alaska. Since 1971, we have provided Alaskans with safe, dependable, and trouble free air transportation in one of the most remote and challenging aviation environments on Earth, at a price that people can afford.

We are a “Made in Alaska” airline, built upon respect for our customers, the communities we serve, and our employees.

OUR HIGHLIGHTS:

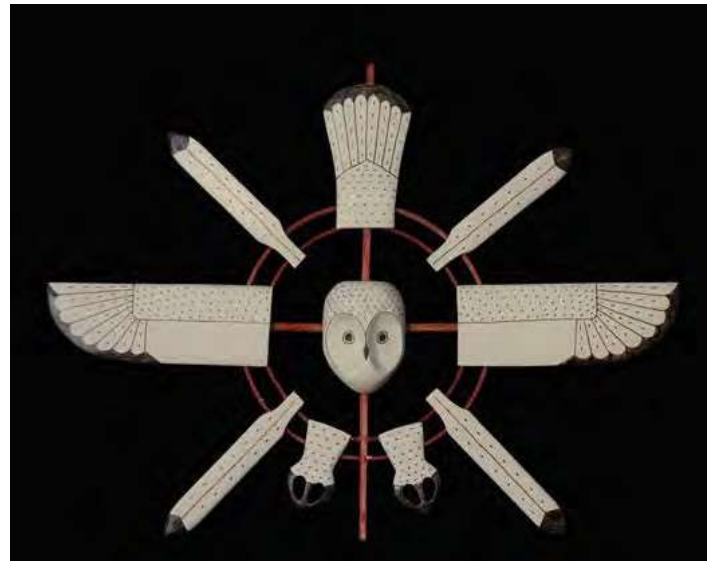
- A long history of affordable, safe service in bush Alaska.
- Committed to the communities we serve through community donations and partnerships.
- Well developed safety systems supporting aircraft dispatch, a complete online reservation system, and exemplary customer service through our dedicated call center.



GRANT AVIATION

OUR HISTORY

- Established in 1971 as Delta Air Service in Emmonak, Alaska. We changed our name to Grant Aviation in 1993.
- Grant Aviation was an early provider of medevac service in the Yukon /Kuskokwim Delta.
- Early 1990s: added scheduled service to Bethel and Dillingham.
- 1994: the village of Emmonak presented the company with an owl mask in appreciation for numerous life-saving efforts in the region; this mask became our company logo.
- 2001-2003: Became a certified air ambulance provider in the Yukon/Kuskokwim area and added Kenai to Anchorage scheduled service.
- 2012-2013: Expanded service to the Bristol Bay region and along the Aleutian Islands chain.
- 2014-2021: Continued to expand our service routes, and increased the number of aircraft in service to better serve all Alaskans.



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OUR 2021 FLEET

We operate the fleet listed below to effectively meet rural Alaska's travel needs, with aircraft ranging in passenger capacity from 6 to 9, and with varying capacity for freight and mail:

- 7 - GippsAero GA8 Airvans – seats 7, this aircraft type is engineered and built to meet the demands of the Alaskan bush environment.
 - 12* - Cessna 207s – seats 6, currently used for short routes; phasing out as we replace these aircraft with newer Airvans.
 - 25* - Cessna 208 Caravans – seats 9, the workhorse of rural Alaska; used for routes with higher passenger and freight loads.
 - 4 - Piper Navajos – seats up to 9, twin engines for more demanding routes.
 - 2 - Beechcraft King Airs – seats 9, used for longer flights over unforgiving terrain and extended over-water flights.
- * 6 of the C-208s and 4 of the C-207s listed above were acquired in 2020 and will be brought into service incrementally during 2021.



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Contract Scope and Term Options

This proposal provides for air transportation of passengers, freight, and mail between Ekwok and Dillingham. We propose to provide EAS to Ekwok at the historical level, 156 flights annually (an average of 3 weekly, as weather permits), utilizing either a Cessna C-207 or Gipps Aero GA-8 aircraft.

Our proposal offers a choice of either a two year contract term, or, at the Department's option, a five year contract term. Grant Aviation is able to offer the five year term with a reduced annual subsidy due to anticipated cost savings as result of the longer term.

The brief summary tables below state the annual expected economic cost, expected market derived revenue, and requested annual subsidy required to provide EAS connecting Ekwok and Dillingham, performing at the rate of 90% of the proposed service. Sheets stating detailed costs for each option follow this page.

Ekwok, Alaska, 3 Flights To & From Dillingham Weekly, 2 Year Proposal			
	Year 1	Year 2	2 Yr Total
Economic Cost	244,503	254,985	499,488
Revenue From Market	167,966	169,700	337,666
Requested Subsidy - 2 Year Term	76,537	85,285	161,822

Ekwok, Alaska, 3 Flights To & From Dillingham Weekly, 5 Year Proposal						
	Year 1	Year 2	Year 3	Year 4	Year 5	5 Yr Total
Economic Cost	244,503	254,985	265,944	277,392	289,363	1,332,187
Revenue From Market	167,966	169,700	172,245	174,829	177,452	862,192
Baseline Subsidy Requirements	76,537	85,285	93,699	102,563	111,911	469,995
Projected savings as result of longer term	(2,296)	(2,559)	(2,811)	(3,077)	(3,357)	(14,100)
Requested Subsidy - 5 Year Term	74,241	82,726	90,888	99,486	108,554	455,895

GRANT AVIATION, INC
Essential Air Service Proposal
Ekwok, Alaska, 3 Flights To and From Dillingham Weekly, DOT-OST-2015-0175

	Year 1	Year 2	Year 3	Year 4	Year 5	5 Year Total
REVENUES FROM SCHEDULED OPERATIONS						
Passenger Revenue	52,326	52,326	53,110	53,907	54,716	266,385
Freight Revenue	13,553	13,756	13,963	14,172	14,385	69,829
Mail Revenue	102,087	103,618	105,172	106,750	108,351	525,978
TOTAL REVENUE FROM OPERATIONS	167,966	169,700	172,245	174,829	177,452	862,192
DIRECT EXPENSES						
Pilot Comp, Benefits & Travel	32,048	33,330	34,664	36,050	37,492	173,584
Mechanic Comp, Benefits & Travel	43,326	45,059	46,862	48,736	50,686	234,669
Fuel & Oil direct	15,873	17,063	18,343	19,719	21,198	92,196
Insurance	12,460	12,959	13,477	14,016	14,577	67,489
Aircraft Parts & Reserves direct	17,996	18,715	19,464	20,243	21,052	97,470
Ownership Expense	14,443	15,021	15,622	16,246	16,896	78,228
TOTAL DIRECT EXPENSE	136,146	142,147	148,432	155,010	161,901	743,636
INDIRECT STATION EXPENSES						
Rent - Hangar & Terminal	5,273	5,483	5,703	5,931	6,168	28,558
Equipment	1,465	1,523	1,584	1,647	1,713	7,932
Station Managers	10,823	11,256	11,706	12,174	12,661	58,620
Ground Service Agents	27,761	28,871	30,026	31,227	32,476	150,361
Customer Service Agents	5,885	6,120	6,365	6,619	6,884	31,873
Housing	3,463	3,602	3,746	3,896	4,051	18,758
Utilities	2,109	2,193	2,281	2,372	2,467	11,422
TOTAL INDIRECT STATION EXPENSE	56,779	59,048	61,411	63,866	66,420	307,524
Administrative Costs	39,935	41,648	43,437	45,307	47,263	217,590
TOTAL EXPENSE	232,860	242,843	253,280	264,183	275,584	1,268,750
5% Profit Margin	11,643	12,142	12,664	13,209	13,779	63,437
TOTAL ECONOMIC COST	244,503	254,985	265,944	277,392	289,363	1,332,187
Baseline Subsidy Requirement	76,537	85,285	93,699	102,563	111,911	469,995
Projected savings as result of longer term	(2,296)	(2,559)	(2,811)	(3,077)	(3,357)	(14,100)
REQUESTED SUBSIDY	74,241	82,726	90,888	99,486	108,554	455,895

GRANT AVIATION, INC
Essential Air Service Proposal
Ekwok, Alaska, 3 Flights To and From Dillingham Weekly, DOT-OST-2015-0175

	Year 1	Year 2	2 Year
REVENUES FROM SCHEDULED OPERATIONS			
Passenger Revenue	52,326	52,326	104,652
Freight Revenue	13,553	13,756	27,309
Mail Revenue	102,087	103,618	205,705
TOTAL REVENUE FROM OPERATIONS	167,966	169,700	337,666
DIRECT EXPENSES			
Pilot Comp, Benefits & Travel	32,048	33,330	65,378
Mechanic Comp, Benefits & Travel	43,326	45,059	88,385
Fuel & Oil direct	15,873	17,063	32,936
Insurance	12,460	12,959	25,419
Aircraft Parts & Reserves direct	17,996	18,715	36,711
Ownership Expense	14,443	15,021	29,464
TOTAL DIRECT EXPENSE	136,146	142,147	278,293
INDIRECT STATION EXPENSES			
Rent - Hangar & Terminal	5,273	5,483	10,756
Equipment	1,465	1,523	2,988
Station Managers	10,823	11,256	22,079
Ground Service Agents	27,761	28,871	56,632
Customer Service Agents	5,885	6,120	12,005
Housing	3,463	3,602	7,065
Utilities	2,109	2,193	4,302
TOTAL INDIRECT STATION EXPENSE	56,779	59,048	115,827
Administrative Costs	39,935	41,648	81,583
TOTAL EXPENSE	232,860	242,843	475,703
5% Profit Margin	11,643	12,142	23,785
TOTAL ECONOMIC COST	244,503	254,985	499,488
REQUESTED SUBSIDY	76,537	85,285	161,822

GRANT AVIATION

GRANT AVIATION HIGHLIGHTS

Grant Aviation would be honored to be selected as the EAS airline for Ekwok, Alaska.

Company highlights include:

- Grant has robust safety systems in place ensuring the safest possible air travel in a challenging environment.
- Grant is a stable, mature airline with roots in Western Alaska.
- Grant has a long history of safely providing air service to the region.
- Grant is committed to the communities we serve.
- Grant has fully developed safety systems, reservations systems, dispatch and flight operations systems, and is continually investing in operational infrastructure to further improve the safety, quality, and reliability of our flight operations in rural Alaska.

Grant Aviation
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